

Message Text

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ACTION EUR-12

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INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
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R 180917Z APR 78
FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC 2463
INFO EC COLLECTIVE
AMEMBASSY BERN

UNCLAS THE HAGUE 2151

ALSO FOR USEEC AND USOECD

E.O. 11652: N/A
TAGS: EFIN, NL
SUBJECT: DUTCH FINANCE MINISTER REJECTS GUILDER DEVALUATION

REF: A) THE HAGUE 453, B) THE HAGUE 2118

1. DUTCH FINANCE MINISTER ANDRIESSEN HAS REJECTED ANY GUILDER DEVALUATION TO IMPROVE COUNTRY'S COMPETITIVE POSITION. REPLYING TO A QUERY IN PARLIAMENT ON APRIL 13, HE SAID A DEVALUATION WOULD SET BACK NETHERLAND'S ANTI-INFLATION PROGRAM AND WOULD BE SCARECELY CREDIBLE GIVEN THE COUNTRY'S RELATIVELY STRONG BALANCE OF PAYMENTS POSITION. SUCH A DEVALUATION WOULD PROBABLY NOT BE UPHELD BY THE FOREIGN EXCHANGE MARKET, HE SAID. POINTING OUT THAT THE GOVERNMENT WAS TRYING TO RELIEVE UPWARD PRESSURE ON THE GUILDER BY PROMOTING CAPITAL EXPORTS, ANDRIESSEN STATED THAT THE CHIEF WAY TO MAKE DUTCH PRODUCTS MORE COMPETITIVE WAS THROUGH "A MORE MODERATE DEVELOPMENT OF COSTS". HE SAID THE GOVERNMENT WAS USING INTEREST RATES AS ITS CHIEF INSTRUMENT TO NEUTRALIZE THE EFFECTS ON THE MONETARY SYSTEM OF SURPLUSES OR DEFICITS IN THE CURRENT ACCOUNT AND WAS ALSO SEEKING TO
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PROMOTE CAPITAL EXPORTS BY OPENING THE DUTCH CAPITAL MARKET TO FOREIGN ISSUERS AND BY INCREASING THE OPPORTUNITIES FOR NON-RESIDENTS TO BORROW FROM RESIDENTS. CAPITAL IMPORTS WERE BEING LIMITED BY A PROHIBITION ON RESIDENTS FROM TAKING FOREIGN LOANS OVER 300,000 GULDERS (\$138,000) WITHOUT PERMISSION. ANDRIESSEN SAID THE GOVERNMENT WOULD TAKE A "CONSTRUCTIVE ATTITUDE" TOWARDS PROPOSALS FOR STRENGTHENING AND

EXTENDING THE SNAKE.

2. ANDRIESSEN'S REMARKS ECHOED THOSE OF TREASURER-GENERAL WELLINK WHO IN A SPEECH IN JANUARY STRONGLY REJECTED DEVALUATION OF THE GUILDER AND SUPPORTED MAINTENANCE OF THE SNAKE (REF A). WITH THE GOVERNMENT THUS RULING OUT DEVALUATION TO IMPROVE DISAPPOINTING PERFORMANCE OF EXPORT SECTOR WHICH AFFECTS WHOLE ECONOMY (REF B), THERE HAS BEEN SOME PRESSURE ON THE GOVERNMENT AND CENTRAL BANK TO SHOW THAT THEIR ALTERNATIVE POLICY MEASURES ENCOURAGING EXPORT OF CAPITAL AND DOMESTIC EXPANSION CAN PROVIDE THE NEEDED ECONOMIC LIFT. AGAINST THIS BACKGROUND, IT CAME AS NO SURPRISE WHEN NETHERLANDS BANK LOWERED ITS DISCOUNT RATE BY HALF A PERCENTAGE POINT TO 4.0 PERCENT EFFECTIVE APRIL 17.
BROWN

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